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INVESTIGATING THE IMPACT OF EXCHANGE RATE VOLATILITY ON EXPORT TRADE IN NIGERIA

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Abstract:
The aim of this study is to examine how fluctuations in exchange rate impact export trade in Nigeria over the period 1980 to 2020. To achieve this objective, the volatility of exchange rate is generated from the Generalized Autoregressive Conditional Heteroskedasticty (GARCH, 1,1) model. The study assumes that export trade can be predicted by fundamental variables such as exchange rate volatility, oil rents, inflation, and foreign direct investment. The empirical findings based on the Autoregressive Distributed Lag (ARDL) model revealed that in the long run, exchange rate volatility, oil rent, and foreign direct investment have a negative relationship with export trade but the effect of inflation on export trade is positive. However, only the effect of FDI is statistically significant in the long run. Also, in the short run, exchange rate volatility, inflation, and FDI have a negative and significant relationship with export trade but the effect of oil price on export trade is positive and statistically significant. The deviation from the long-term equilibrium is adjusted with the speed of about 33.93% every year in Nigeria. Based on these findings, the study suggests the need for macroeconomic policies to target price and exchange rate stability in order to promote export trade in the country.

Keywords:
Exchange rate volatility, Export volume, Oil rent, Inflation, FDI

1. Introduction
Since every nation wants to keep its exchange rate stable with its trade partners, exchange rate volatility has become a crucial factor affecting international trade and economic imbalances. Despite Nigeria implementing the Structural Adjustment Program (SAP) and reducing the value of naira in 1986 it failed to meet this objective. To restructure the foundation of the economy in a manner that promoted agricultural exports was a key aim of SAP. The expected changes in foreign exchange would lead to a steady decrease in the effective exchange rate, aiming to elevate local prices for agricultural exports and gradually prompt domestic production.

Nigeria's exports have been affected by the ongoing depreciation of its real exchange rates, as noted by various scholars including Oyejide (1986), Ihimodu (1993), and the World Bank (1994). Inflation has caused agricultural export prices to rise, which, over a period, has led to an increase in the quantity of these exports. Consequently, there has been little advancement in resolving the exchange rate dilemma, meaning Nigeria still deals with its exchange rate instability today.

Moreover, this volatility not only obstructs economic growth but also heightens investment uncertainties and complicates strategic planning. For example, fluctuating exchange rates may dissuade potential investors from committing to Nigeria due to concerns regarding the potential profitability of various enterprises. Investors might opt to place their funds overseas unless the anticipated returns sufficiently compensate for the risks associated with volatility (Gerado, 2002). The primary sources of risk in global commodity trade stem from exchange rate instability and variations in international pricing. Therefore, comprehending exchange rate dynamics is crucial for several reasons. From both analytical and policy-making perspectives, the relationship between a nation's exchange rate and its economic growth through trade is vital. The trends in a nation's currency significantly impact its export growth rate and act as an indicator of its ability to compete internationally. Research conducted by Bah and Amusa (2003) and Chukwu (2007) suggests that fluctuations in Nigeria's exchange rates impacts its trade, occasionally producing

positive outcomes but also presenting negative consequences at times. This indicates that an abrupt change in exchange rate values will have an impact on exports and overall economic development.

While there is a body of work examining the impact of exchange rate fluctuations on Nigeria's export performance, a cohesive consensus between theoretical and empirical findings remains elusive. The initial perspective suggests that changes in exchange rates create instability and expenses for those who avoid risk, causing them to favor domestic trade over global trade. This viewpoint is consistent with trends identified in the literature review. To put it simply, it could impede the growth of international trade. The opposing viewpoint suggests that an increase in exchange rates boosts the expected marginal utility derived from export income, motivating risk-tolerant economic actors to expand their exports for profit maximization. Therefore, variations in exchange rates could stimulate trade activities. Research on this matter in emerging economies, especially Nigeria, has been scarce, mainly due to the lack of reliable time series data. Instances of research in this area include Vergil's work in (2002) concerning Turkey and the studies by Bah and Amusa in (2003), along with Takendesa in (2005) for South Africa, and Ajayi in (1988), along with Adubi and Okunmadewa in (1999), and Osagie in (1985) on Nigeria.

Earlier research has concentrated on the misalignment of the naira's exchange rate, creating a void in current empirical studies about how exchange rate volatility impacts Nigeria's exports. Consequently, by integrating more variables into the model, this research aims to provide a comprehensive analysis of how exchange rate fluctuations affect export trade spanning from 1980 to 2020, contributing to the existing body of empirical literature.

2. Literature Review

How the volatility of exchange rate affects export trade has long been an issue of concern for policymakers and businesses in Nigeria. This section includes empirical studies that investigate the link between exchange rate volatility and export trade in Nigeria. These studies use various methodologies and data sources to find out the dynamics of exchange rate volatility and their implications on export performance.

In a study carried out by Adegbite and Olaniyan (2019) they found out the impact of exchange rate volatility on Nigeria's non-oil export performance using quarterly data from 2000 to 2018. They used econometric techniques, such as vector autoregression (VAR) and Granger causality tests, to find out the connection between exchange rate volatility and non-oil export growth. The findings showed that exchange rate instability negatively impacts Nigeria's non-oil export. Specifically, instances of higher exchange rate instability led to reduced growth in non-oil exports. This finding corresponds with previous research by Osei and Quartey (2014), who discovered that unstable exchange rates have an impact on Ghana's exports. Thus, the results support the notion that exchange rate instability can reduce export trade competitiveness and create uncertainty (Adegbite & Olaniyan, 2019; Osei & Quartey, 2014).

In contrast Adegbite and Olaniyan (2019) findings, Abiola and Ibrahim (2020) discovered a varied link between exchange rate volatility and export trade in Nigeria. They investigated the effects of instability in exchange rates on various export sectors, including agriculture, manufacturing, and services, using panel data from 2005 to 2019 and fixed-effects regression models. The results revealed that whereas some export sectors experienced negative impacts from exchange rate volatility, others showed resilience or even positive responses. For instance, the agricultural sector showed a greater vulnerability to exchange rate fluctuations than the manufacturing sector. The above finding undermines the view of a uniform negative correlation between exchange rate volatility and export performance suggesting that sector-specific aspects can affect the degree of the impact (Abiola & Ibrahim, 2020).

Dada and Adeleke (2021) expanded on Abiola and Ibrahim (2020) findings by conducting an additional empirical analysis that focused on how firm-level characteristics impact the connection between exchange rate volatility and export trade in Nigeria. They used survey data from exporting firms across different sectors and regression analysis to investigate the link between exchange rate volatility, firm size, export experience, and export diversification. The results showed that larger firms with significant export skills and diverse export portfolios were more prone to the negative effects of exchange rate volatility on export performance. Furthermore, firms who engaged in hedging processes or have financial instruments used to manage currency risk showed a higher resistance to exchange rate fluctuations. These findings highlight the significance of firm-level factors in figuring out the effect of exchange rate volatility on export trade and they suggest that proactive risk can mitigate the negative effects (Dada & Adeleke, 2021).

Unlike the findings of Dada and Adeleke (2021), Okonkwo and Okafor (2018) investigated how exchange rate volatility impacts export diversification in Nigeria. By analysing time-series data from 2000 to 2017, using

econometric techniques such as cointegration and error correction models the research found that exchange rate volatility negatively impacted export diversification. High volatility discouraged firms from diversifying their exports and entering new markets. This finding shows that exchange rate volatility influences not only export volumes but also the nature and structure of exports, thus hindering the country's economic diversification efforts (Okonkwo & Okafor, 2018).

Based on the foregoing literature review, it is clear that there is a paucity of literature in the Nigerian setting that comprehensively examine how exchange rate volatility affects export trade. Most available study only captures the non-oil export, leaving a glaring gap in the existing literature. Given that oil sector provides over 95% of the Nigeria's foreign exchange earnings, it becomes imperative to consider total export volume in order to provide more insights to the government and policymakers.

3. Research Methodology

3.1 Type of data and sources

The study employed secondary data from World Bank via World Development Indicators for Nigeria from 1980 to 2020. These variables for the study include export volume (EPVA), exchange rate volatility (EXRV), oil rent (OILR), inflation (INFL) and foreign direct investment (FDI). The EPVA is measured as the total quantity of goods exported over the period of years. EXRV is generated from the Generalized Autoregressive Conditional Heteroskedascity (GARCH) model (GARCH, 1,1). OILR is measured as the difference between the value of regional crude oil price production and total costs of production. INFL is measured using the consumer price index (CPI), and FDI is measured by the net inflows from investments by foreign entities.

3.2 Model estimations and procedures

The main goal of this study is examining the effect of exchange rate volatility on export trade in Nigeria. So as do this, an empirical model based on a flexible autoregressive distributed lag (ARDL) is constructed as follows:

$$EPVA = (EXRV, OILR, INFL, FDI) \quad (1)$$

Where exchange rate volatility (EXRV) is the explanatory variable, and the dependent variable is export volume (EPVA). While oil rent (OILR), inflation (INFL) and foreign direct investment (FDI) are the control variable. To address potential issues of heteroscedasticity and any nonlinear functional form, the variables will each be converted into their natural logarithms given the functional relationships in equation (1). The log-linear specification can be represented as:

$$ln\text{Epva} = \alpha_0 + +\alpha_1 lnEXRV_t + \alpha_2 lnOILR_t + \alpha_3 lnINFL_t + \alpha_4 lnFDI + \mu_t \quad (2)$$

Where ln stands for variables in their natural logarithms, which removes the nonlinear functional form and stabilizes variance. μ _t represents the error or residual term which is assumed to follow a stochastic Gaussian process with a mean of zero. The variable 't' denotes time span. The proposed autoregressive distributed lag (ARDL) model by Pesaran et al. (2001) can be used for Equation (2):

$$lnEPVA_t = \rho_0 + \sum_{j=1}^{q} \rho_j \, lnEPVA_{t-j} + \sum_{j=0}^{p_1} a_{1,j} \, lnEXRV_{t-j} + \sum_{j=0}^{p_2} \sigma_{2,j} \, OILR_{t-j} + \sum_{j=0}^{p_3} a_{3,j} \, INFL_{t-j} + \sum_{j=0}^{p_4} \lambda_{4,j} \, FDI_{t-j} + \mu_t \quad (3)$$

The lag order of the model is denoted by q and p. In order to find the long- run and the coefficients of the variables, Pesaran et al. (2001) introduced the level relationship definition within the framework of the unconstrained error-correction model (UECM):

$$lnEPVA_t = \alpha_0 + +\alpha_1 lnEXRV_t + \alpha_2 lnOILR_t + \alpha_3 lnINFL_t + a_4 FDI_t + + \sum_{j=1}^{q} \varphi_j \Delta lnEPVA_{t-j} + \sum_{j=1}^{p_1-1} \sigma_{1,j} \Delta lnEXRV_{t-j} + \sum_{j=1}^{p_2-1} \sigma_{2,j} \Delta lnOILR_{t-j} + \sum_{j=1}^{p_3-1} \sigma_{3,j} INFL_{t-j} + \sum_{j=1}^{p_4-1} \sigma_{4,j} \Delta FDI_{t-j} + \varepsilon_t \quad (4)$$

Equation (4), which uses the first difference operator, which is generally represented as z_t=z_t-z_(t-1) has a first component that represents the level relationship and shows the long run parameters. In order for the long-run parameters of the ARDL, which are shown in their natural logarithm form, to be understood they are normalized. β_i=α_i⁄((1-∑_(i=1)^q▒〖φ_i〗)), i=1,…,4. This procedure is in line with the guidelines of Balcilar et al. (2019; 2020). Therefore, the long-run parameters of exchange rate volatility, oil rent, inflation and FDI are indexed β_1 β_2, β_3, and β_4.

In addition, export performance might not align with the long-term equilibrium path if basic variables like exchange rate volatility, oil rent, inflation and FDI change. To show how quickly the system adjusts from the short-term disequilibrium to the long-term equilibrium level we specify the model by using error correction method:

$$\Delta lnEPVA = \tau_0 + \sum_{j=1}^{q} \theta_j \Delta lnEPVA_{t-j} + \sum_{j=0}^{p_1} \psi_{1,j} \Delta lnEXRV_{t-j} + \sum_{j=0}^{p_2} \psi_{2,j} \Delta lnOILR_{t-j} + \sum_{j=0}^{p_3} \psi_{3,j} \Delta lnINFL_{t-j} + \sum_{j=0}^{p_4} \psi_{4,j} \Delta FDI_{t-j} + +\varepsilon_t \quad (5)$$

The error correction term is derived from 〖 ECT〗_(t-1) the first lag of the residual term from the long-run equation. Its coefficient, γ indicates how quickly the system returns to the equilibrium path in the long run. Basically , the error correction term shows this adjustment process: e 〖ct〗 _t=ln 〖EPVA〗 _t-ln 〖EXRV〗 _t-l 〖nOILR〗 _t-ln 〖INFL〗 _t - ln 〖FDI〗 _t while the parameters θ_j, ψ_(1,j), ψ_(2,j), ψ_(3,j), and 〖 ψ〗 _(4,j) represent the short-run coefficients of exchange rate volatility, oil rent, inflation and FDI.

4. Empirical Results

4.1 Preliminary Analysis

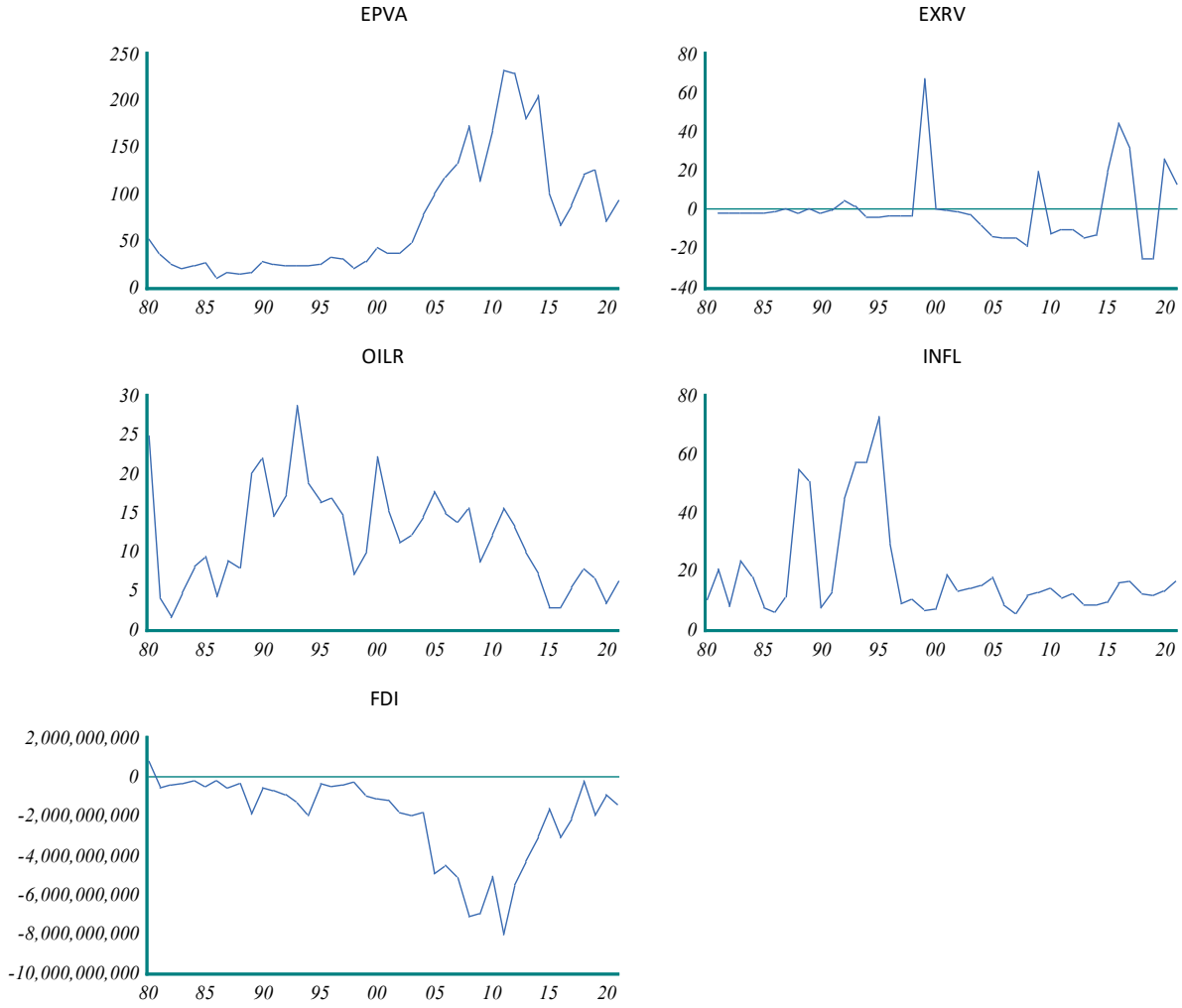

Fig.1: Time series plots of the variables

Firstly, we start by examining the time series plots of the variables used in this study.

From figure 1, the Export volume (EPVA) shows a generally increasing trend from the 1980s until around 2010, reaching a peak. After 2010, it experienced fluctuations and a slight decline. Exchange rate volatility (EXRV) remains relatively low until the mid-1990s, but from that point on, it started to fluctuate significantly, with pronounced spikes around the late 1990s and mid-2000s. Similarly, oil rent (OILR) displays variability with peaks in the early 1990s and early 2000s, reflecting fluctuations in global oil prices and production levels. Inflation (INFL) also demonstrates high volatility, particularly in the early to mid-1990s, with significant peaks. Foreign direct investment (FDI), conversely, shows a declining trend from the early 1980s, with occasional increases, but remains largely negative or close to zero in more recent years. Overall, the analysis reveals that exchange rate stability is crucial for consistent export growth, while fluctuations in oil rent and inflation contribute to broader economic volatility that impacts export performance.

4.2 Descriptive Statistics

Table 1: Descriptive statistics

	EPVA	EXRV	OILR	INFL	FDI
Mean	72.84999	1.15E-07	11.51401	18.94905	-2.14E+09
Median	35.93460	-2.050712	11.14464	12.876558	-1.35E+09
Maximum	231.0010	66.27715	28.70544	72.83550	-1.89E+08
Minimum	10.02709	-25.75357	1.573876	5.388008	-8.02E+09
Std. Dev.	63.95521	17.40577	6.173340	16.65937	2.16E+09
Skewness	1.078821	1.832763	0.477526	1.854161	-1.267665
Kurtosis	3.054649	7.345036	2.875631	5.306526	3.509534
Jarque-Bera	7.9588111	55.20550	1.584635	32.58084	11.42451
Probability	0.018703	0.00000	0.452794	0.000000	0.003305

Table 1 examines the descriptive statistics of the study's variables offering fundamental insights into the data's characteristics and distribution patterns. It uses measures like means, maximum, minimum, standard deviation, skewness, kurtosis, and Jarque-Bera test to describe the data's essential properties.

As seen in Table 1, EVPA has the largest mean with 72.84999 and FDI has the smallest mean number in the variables. The maximum and minimum values range for EPVA from minimum 10.02709 to maximum of 231.0010, for EXRV minimum from -25.75357 to a maximum of 66.27715, OILR minimum 1.573876 to a maximum of 28.70544, INFL minimum 5.388008 to a maximum of 72.83550 and FDI minimum of -8.02E+09 to maximum of -1.89E+08. EPVA and FDI have wide variations in the data set due to high standard deviation from their mean values. The skewness for FDI is negative, implying that the data distribution is skewed towards small values, while the skewness for other variables is positive, implying that the data distribution is skewed towards large values. The implication of these results suggests that there is non-normal distribution in EPVA, EXRV, INFL and FDI and only OILR is normally distributed.

4.3 Correlation Matrix

Table 2: Correlation Matrix

	EPVA	EXRV	OILR	INFL	FDI
EPVA	1.0000				
EXRV	-0.313621	1.0000			
	[0.0459**]				
OILR	-0.063089	-0.267602	1.0000		
	[0.6952]	[0.0907]***			
INFL	-0.366696	-0.016701	0.406992	1.0000	
	[0.0184*]	[0.9175]	[0.0083*]		
FDI	-0.810394	0.186967	-0.157163	0.229457	1.0000
	[0.0000*]	[0.2418]	[0.3264]	[0.1490]	

Values in [] show probability value, * p value < 1%, ** p value< 5%, *** p value< 10%

Table 2 shows the relationship between the variables. There is a negative correlation between EXRV and EPVA -0.3136 passing a statistically significant at 5% level with p value of 0.0459. This indicates that as EXRV increases EPVA decreases. The correlation between EPVA and OILR is also negative and not statistically significant, for INFL and EPVA it is negative but statistically significant at the 5% level this suggests that the higher the inflation the

lower the export volume. Also, the correlation is negative between FDI and EPVA, but it is statistically significant. The outcome shows that there is significant correlation between EPVA and EXRV, INFL, FDI but not with EPVA and OILR.

Table 3; Augmented Dickey Fuller (ADF) unit root test results

Variable	Level		First Difference	
	Constant	Constant & Trend	Constant	Constant & Trend
EPVA	-1.49355 (0.5268)	-2.18454 [0.4852]	-6.39558*** (0.0000)	-5.13333*** (0.0013)
EXRV	-5.11169*** (0.0001)	-5.05875*** (0.0010)	-5.1541*** (0.0002)	-6.07693*** (0.0000)
OILR	-1.76384 (0.3923)	-2.04435 (0.5595)	-7.57194*** (0.0000)	-7.62469*** (0.0000)
INFL	-3.09407** (0.0348)	-3.81064** (0.0262)	-5.98588*** (0.0000)	-5.90075*** (0.0001)
FDI	-2.05803 (0.2621)	-3.71578** (0.0344)	-8.67975*** (0.0000)	-8.67961*** (0.0000)

t-statistic and probability value [], * p value < 1%, ** p value< 5%

EVPA is export volume, EXRV is exchange rate volatility, OILR is oil rent, INFL is inflation, FDI is foreign direct investment.

The results of the unit root test, as shown in Table 1 with constant indicates that EVPA, OILR, and FDI are not stable at the level but are stable at the first difference. While EXRV and INFL are stationary at level and stationary at the first difference. When adding constant and trend the ADF results show that the export volume and oil rent are not stable at the level, while all the variables become stable at first difference.

Table 4: Phillips-Perron (PP) unit root test results

Variable	Level		First Difference	
	Constant	Constant & Trend	Constant	Constant & Trend
EPVA	-1.49355 (0.5268)	-2.25038 (0.4504)	-6.41204*** (0.0000)	-6.32673*** (0.0000)
EXRV	-5.00437*** (0.0002)	-4.92900*** (0.0015)	-16.0074*** (0.0000)	-17.8391*** (0.0000)
OILR	-3.85743*** (0.0051)	-3.83117** (0.0247)	-11.2423*** (0.0000)	-23.4965*** (0.0000)
INFL	-2.95987** (0.0473)	-3.07524 (0.1256)	-12.3963*** (0.0000)	-12.0305*** (0.0000)
FDI	-2.06833 (0.2580)	-2.08762 (0.5371)	-8.40638*** (0.0000)	-8.44159*** (0.0000)

t-statistic and probability value [], * p value < 1%, ** p value< 5%

Table 4 reveals the Phillips-Perron unit root test results. The result with constant indicates that EVPA, EXRV, INFL and FDI are not stable at the level but are become stationary at the first difference while OILR is stable at level and first difference. In constant & trend the results indicate that EVPA, INFL and FDI are not stable at the level whereas all the variables become stationary at first difference.

4.5 ARDL/Bound Testing Cointegration Results

Table 5: F-Bounds Tests Results

Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-statistic	4.079427	10%	1.9	3.01
K	4	5%	2.26	3.48
		2.5%	2.62	3.9
		1%	3.07	4.44

Note: I(0) and I(1) denotes lower and upper bounds respectively.

Table 5 presents the results of the ARDL/bounds testing cointegration approach. As clearly shown in the Table, the computed value of F-Statistic is 4.079427. This value exceeds the important value at 5% level of significance, i.e. 3.9 in the upper bound I(1). Thus, it is concluded that there is a valid cointegration between the variables of interest. i.e. export growth, exchange rate volatility, FDI, oil rents, and inflation in Nigeria.

4.6 ARDL Results

Table 6: Long run levels Equation

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
EXRV	-0.096491	1.043543	-0.092465	0.9270
OILR	-1.345244	2.333492	-0.576494	0.5691
INFL	0.535560	1.040913	0.514510	0.6111
FDI	-3.81E-08***	5.69E-09	-6.697812	0.0000

* p value < 1%, ** p value< 5%; The maximum and optional lag order is 4.

The study used the ARDL test to examine long run results. First the results reveal that EXRV is negative and not statistically significant with EPVA. OILR is also negative and does not have a statistically significant relationship with EPVA. The relationship between INFL and EPVA is positive but not statistically significant. There is a negative and statistically significant relationship between FDI and EPVA. This means that a 1% increase in FDI net inflow would reduce EPVA by 3.81E-08 if other factors stay constant.

4.6.2 Short Run Results

Table 7: ECM Regression

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
D(EPVA(-1))	-0.272196**	0.121308	-2.243839	0.0332
D(EXRV)	-0.597482***	0.148348	-4.027584	0.0004
D(EXRV(-1))	-0.573344***	0.186190	-3.079354	0.0047

D(OILR)	2.232328**	0.832880	2.680252	0.0124
D(INFL)	-0.108523	0.204747	-0.530035	0.6004
D(INFL(-1))	-0.587349**	0.241807	-2.429002	0.0221
D(FDI)	-8.30E-09***	2.75E-09	-3.019108	0.0055
ECM(-1)*	-0.339328***	0.070119	-4.839311	0.0000
R-squared	0.695095			
Adjusted R-squared	0.626246			

*** p value < 1%, ** p value< 5% level of significance

Table 4.6.2 shows the error correlation model and the short run empirical result for exchange rate volatility and its first lag is negative, and statistically significant at both 1% and 5% level respectively. This suggests that if EXRV increases by 1% this will lead to a decrease in export volume if other variables remain unchanged. Second, oil rent is positively and statistically significant at the 5% significance level. INFL is not statistically significant, but it is statistically significant at the 5% level in its first lag. FDI is negative and statistically significant at the 1% level. ECM (-1) coefficient is negative with value -0.339328, p value (0.0000) this shows that it is significant at 1 % level this indicates that whenever there is disequilibrium in the short run, the speed of adjustment to the long run equilibrium path is 33.93% every year.

5. Discussion of Major Findings

Due to its natural resources such as oil and gas, large market and cheap labour Nigeria attracts foreign investments, but the country does not seem to benefit from these investments. As seen from the time series plots of the variables FDI keep fluctuating and declining.

From the findings of the results, it is revealed that foreign direct investment has a negative and statistically significant impact on export performance of Nigeria both in the long and short run this is because FDI can be affected by fluctuations in exchange rate which will make Nigerian exports less competitive in global markets and companies that use resources that local firms do not have access to force them out of the market this can lead to decrease in the country's export capacity. Some investors do not invest in sectors that can boost export growth in the country.

The results do not align with the findings carried out by most researchers as most of them found either a positive and significant effect or a positive and insignificant impact. Kutan and Vuksic (2007) found that the FDI has a positive and statistically significant impact on eight out of the 12 central and Eastern European countries unified as New European Union (NEU) members, and statistically insignificant impact on the four other Southeast European countries

6. Conclusion and Recommendations

6.1. Conclusion

The objective of this paper is to examine the impact of exchange rate volatility on export trade in Nigeria. Time series data from 1980 to 2020 on some variables was collected. The study applied unit root test and ARDL model.

The result of the unit root tests shows evidence of stationary at level for some variables, but the variables have all become stationary at the first difference. From the error correction variable of the short run dynamics, it was determined that whenever there is disequilibrium in the short run the speed of adjustment to the long run equilibrium path is 33.93% every year. These findings suggest that exchange rate stability is important for enhancing export growth. The fluctuations in exchange rate introduces significant challenges for exporters making it difficult for businesses to accurately plan and forecast, potentially deterring long term investment and strategic decisions that are important for sustained growth in the export sector.

6.2. Recommendation

Considering the findings of the study, the following recommendations were made.

1. The Central Bank of Nigeria (CBN) should enhance its exchange rate stabilization mechanisms to reduce volatility. This could include the use of foreign exchange reserves to intervene in the market, as well as more transparent and predictable monetary policy measures that help to maintain confidence in the currency.
2. To mitigate the risks associated with dependence on volatile sectors like oil, Nigeria should promote export diversification. This involves investing in and developing other sectors such as agriculture, manufacturing, and technology, which can provide more stable and varied sources of export revenue.
3. Improving infrastructure, reducing energy costs, and streamlining regulatory processes can help reduce the production costs for exporters, making them more competitive internationally. Government initiatives should focus on these areas to enhance the overall business environment.
4. Nigeria should actively pursue and negotiate international trade agreements that provide more stable and favourable terms for its exporters. Participation in trade blocs like the African Continental Free Trade Area (ACFTA) can offer broader market access and reduce trade barriers, helping to stabilize export revenues and buffer against exchange rate fluctuations.

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